



9MFY2018 Results Update

26 March 2018



Contents Financial Highlights 9MFY2018

Review by Segment

9MFY2018 vs. 9MFY2017

For the nine month period ended 31 January 2018, the Group recorded a higher revenue of RM 351.1 million as compared to the previous financial year of RM 285.6 million, an increase of 22.9%. The increase was mainly attributed by the increase in revenue from Wholesale and Multi-level marketing (“MLM”) divisions.

The Group’s pre-tax profit increased by 39.1% to RM 76.0 million after recognizing employees’ share option (“ESOS”) expense of RM 2.6 million as compared to previous year corresponding period of RM 54.6 million. The increase in pre-tax profit was mainly contributed by the MLM and Wholesale divisions. The gain from resale of treasury shares amounting to approximately RM 2.0 million also contributed higher profit in the period under review.

The Group’s net margin improved by 2.3% to 16.7% due mainly from the higher sales of its premium products and improvement in operational efficiency.

9MFY2018 vs. 9MFY2017

	9MFY2018 31 Jan 2018	9MFY2017 31 Jan 2017	Variance +/-
	(RM'mil)	(RM'mil)	
Revenue	351.13	285.62	+22.94%
Pre-tax profit	75.98	54.61	+39.13%
Profit after tax	58.55	41.01	+42.77%
Net margin (%)	16.67%	14.36%	+2.31%
EPS (sen)	20.18	14.12*	+6.06 sen

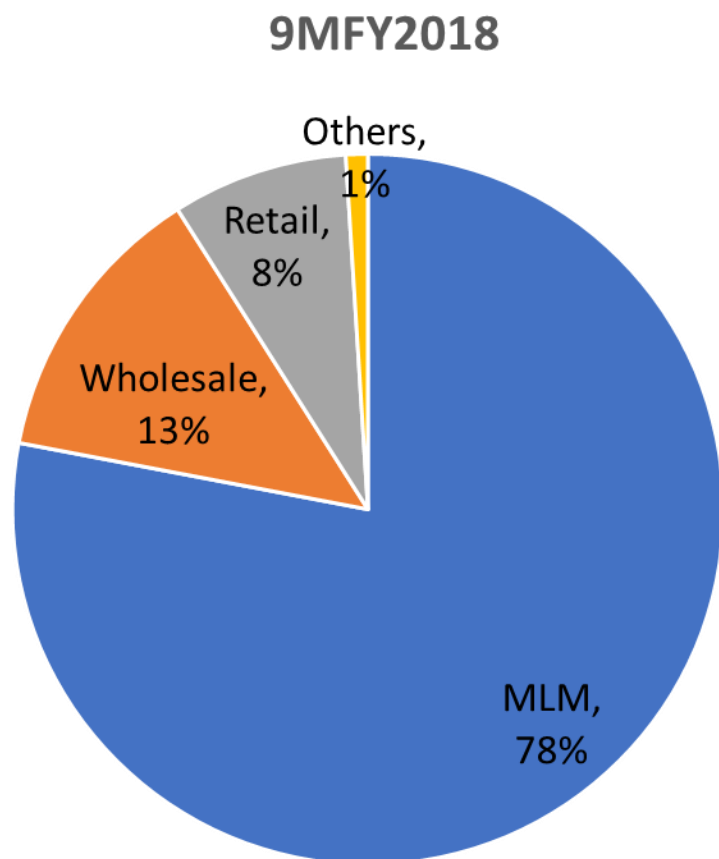
**restated after taking into Bonus issue of shares in March 2017*

Strong and Healthy Balance Sheet

	9MFY2018 31 Jan 2018	FYE 30 Apr 2017 (audited)
	(RM'mil)	(RM'mil)
Net cash + Short term investment	134.98	135.04
Total Assets	397.13	364.30
Total Liabilities	83.71	68.13
Shareholders' Equity	302.59	284.81
Net Assets per share (sen)	110 sen	98 sen*

**restated after taking into Bonus issue of shares in March 2017*

Segment Revenue



Segment	9MFY2018 31 Jan 2018		9MFY2017 31 Jan 2017	
	(RM'mil)	(%)	(RM'mil)	(%)
MLM	273.44	78%	213.34	75%
Wholesale	46.63	13%	40.20	14%
Retail	27.81	8%	28.80	10%
Others	3.25	1%	3.28	1%
Total	351.13	100%	285.62	100%



Review by
Segment

Multi Level Marketing (“MLM”)

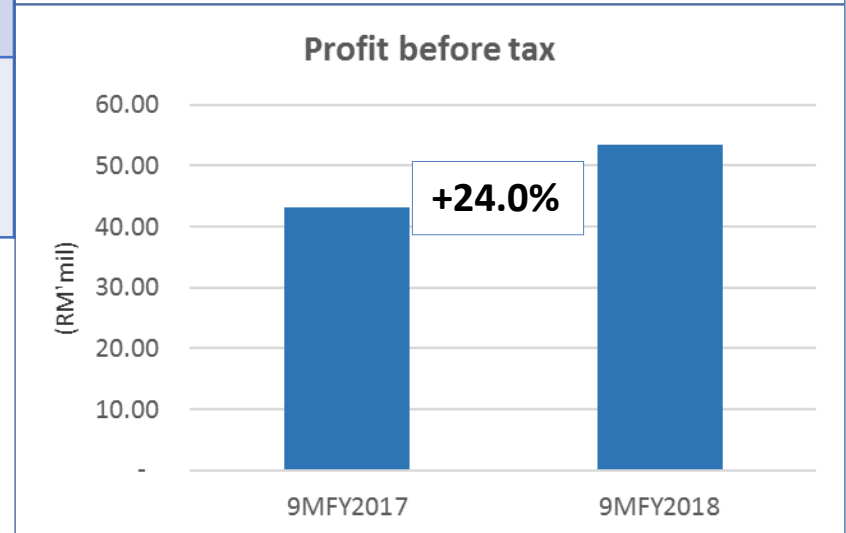
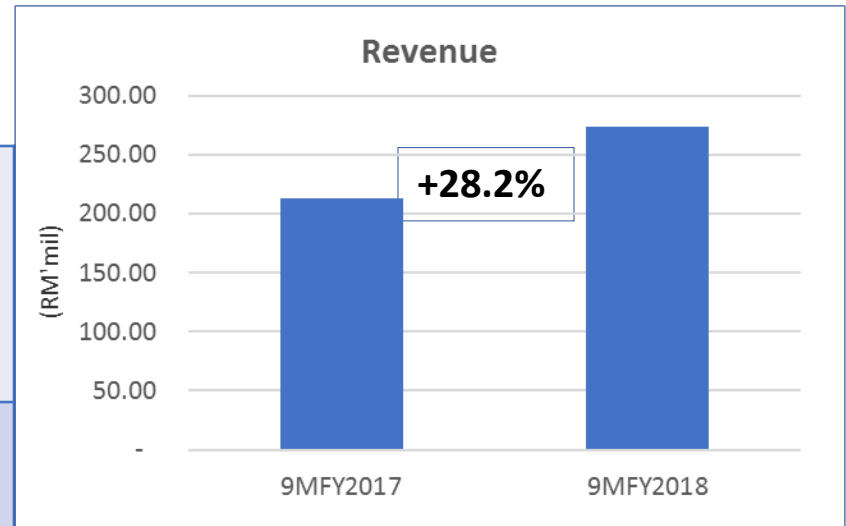
Wholesale

Retail

Others

MLM

MLM Segment	9MFY2018 31 Jan 2018 (RM'mil)	9MFY2017 31 Jan 2017 (RM'mil)	Changes (%)
External Revenue	273.44	213.34	+28.2%
Profit before tax	53.45	43.10	+24.0%



MLM

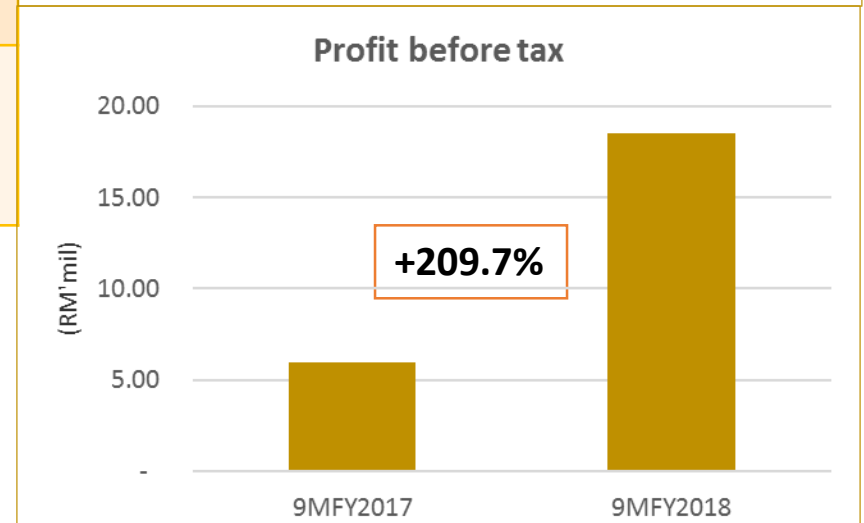
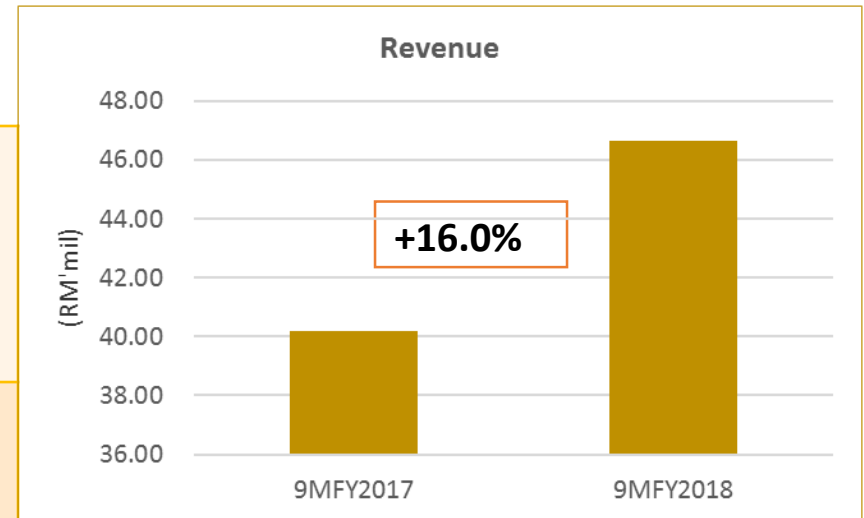
For the 9MFY2018, MLM division recorded higher revenue and pre-tax profit of RM 273.4 million and RM53.5 million as compared to previous year of RM 213.3 million and RM 43.1 million, increased by 28.2% and 24.0% respectively. The overall increase in revenue was mainly derived from:

- ✓ higher sales for most of the products coupled with additional contribution from new products launched during the first half of the financial year.
- ✓ positive response from members and ongoing intensive member recruitment program.
- ✓ 25th year anniversary grand sales promotion which was carried out during the period.

Despite the ESOS expenses of RM 0.6 million being recognised in the current financial period and increase in operating costs of about RM5 million, the pre-tax profit increased by 24.0% from RM 43.1 million to RM 53.5 million which was driven by higher revenue and wider product range introduced during the financial year.

Wholesale

Wholesale Segment	9MFY2018 31 Jan 2018 (RM'mil)	9MFY2017 31 Jan 2017 (RM'mil)	Changes (%)
External Revenue	46.63	40.20	+16.0%
Profit before tax	18.52	5.98	+209.7%



Wholesale

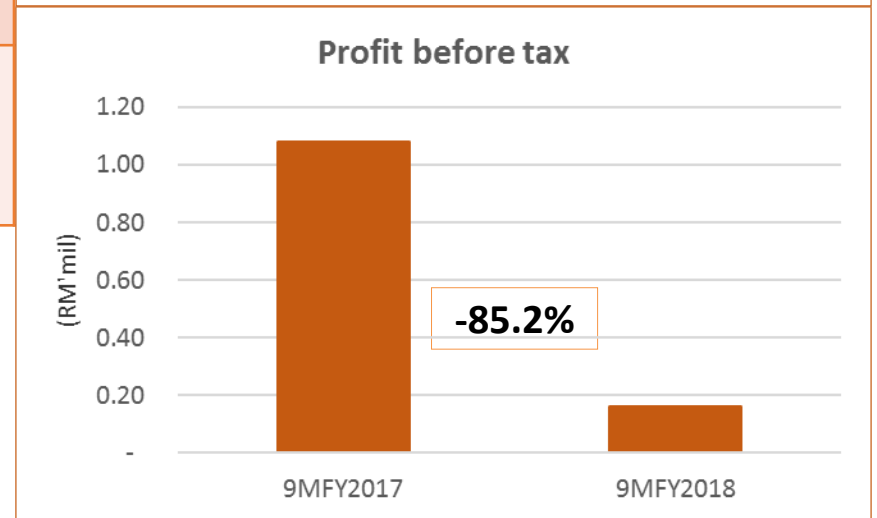
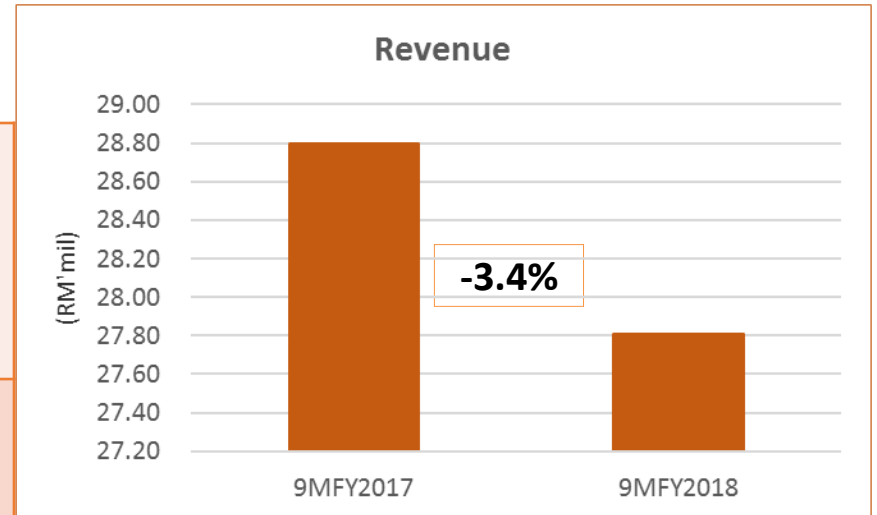
For the 9MFY2018, Wholesale segment revenue boost up by about 16.0% to RM 46.6 million as compared to the preceding year's corresponding period of RM 40.2 million due to:

- ✓ aggressive marketing strategies carried out by sales team.
- ✓ mainly attributable to higher sales from premium Chinese medicated tonic and Chinese tea.

Despite ESOS expenses of RM 1.4 million being recognised in the current financial period, the pre-tax profit increased by more than double from RM 6.0 million to about RM 18.5 million mainly attributed to higher contribution from sales of high margin Chinese medicated tonic and vintage puer tea. Furthermore, higher profit generated from inter-segment sales to MLM and Retail divisions also helped to contribute to its bottom line. Besides, gain from the resale of treasury shares amounting to approximately RM 2.0 million was added on to the profit.

Retail

Retail Segment	9MFY2018 31 Jan 2018 (RM'mil)	9MFY2017 31 Jan 2017 (RM'mil)	Changes (%)
External Revenue	27.81	28.80	-3.4%
Profit before tax	0.16	1.08	-85.2%



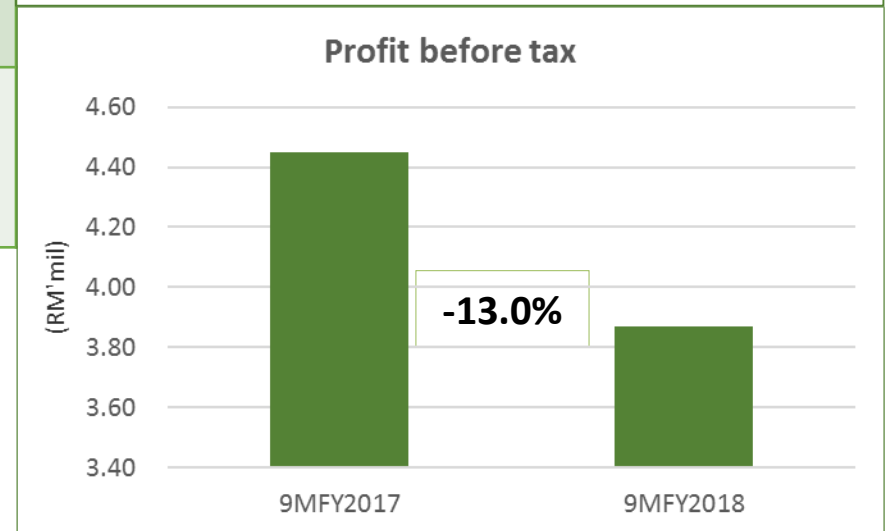
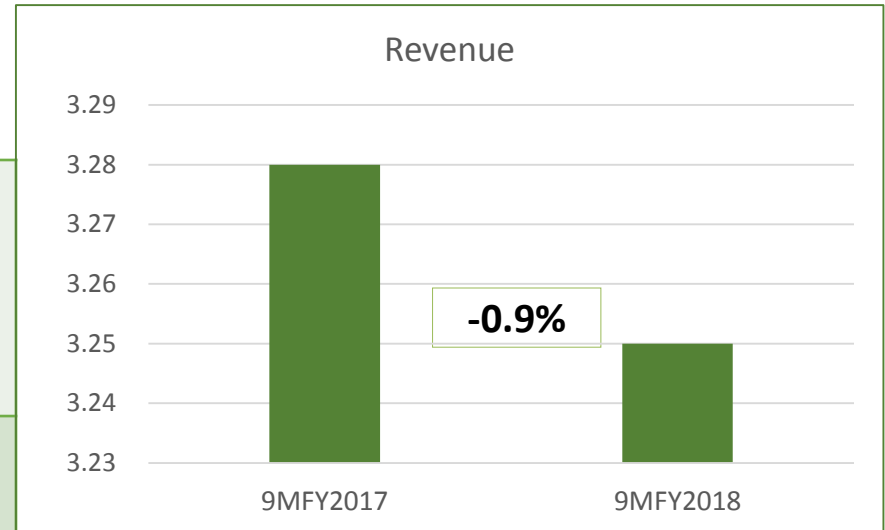
Retail

For the 9MFY2018, Retail segment revenue recorded higher in the preceding year's corresponding period of nine months as compared to current financial period of RM 27.8 million, decreased marginally by 3.4%.

The pre-CNY sale fell in the 4th quarter of this current financial year as opposed to 3rd quarter of last financial year has resulted lower revenue for the current nine month period ended 31 January 2018.

"Others" segment

"Others" Segment	9MFY2018 31 Jan 2018 (RM'mil)	9MFY2017 31 Jan 2017 (RM'mil)	Changes (%)
External Revenue	3.25	3.28	-0.9%
Profit before tax	3.87	4.45	-13.0%



“Others” segment

“Others” segment revenue are mainly comprised of rental income from investment properties, manufacturing activities, advertising and credit & leasing business. The main contributors are from the manufacturing and properties segments.

The manufacturing segment is currently focus on the inter-segment’s OEM sales for MLM and Retail divisions.

Revenue registered in “Others” segment remained at RM 3.3 million as compared to the preceding year’s corresponding quarter. The pre-tax profit was lowered by about 13.0%, from RM 4.5 million to RM 3.9 million due to higher imported raw material costs in the manufacturing division during the period under review and after the recognition of the one off ESOS expenses of RM 0.1 million.



Thank You

Wisma Hai-O, Lot 11995

Batu 2, Jalan Kapar

41400 Klang, Selangor D.E.

T : 03-33423322 F : 03-33434257

www.hai-o.com.my